

Message Text

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ACTION COME-00

INFO OCT-01 EA-06 ISO-00 FTC-01 AID-05 CIAE-00 EB-04

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ESTC, EEWT, JA, KN

SUBJ: U.S. FIRM CHAFES AT BAR TO SALES IN NORTH KOREA

SUMMARY: REPRESENTATIVE OF HONEYWELL JOINT VENTURE MANUFACTURER IN JAPAN STATES HIS FIRM IS LOSING SUBSTANTIAL SALES OF NON-STRATEGIC MERCHANDISE TO NORTH KOREA AS RESULT OF USG RESTRAINTS ON SUCH SALES. END SUMMARY.

1. CARLETON JOHNSON OF YAMATAKE-HONEYWELL STATED TO EMB-OFF THAT HIS FIRM HAS RECEIVED AND CONTINUES TO RECEIVE "VERY ACTIVE INQUIRIES" FROM NORTH KOREAN FIRMS FOR EQUIPMENT WHICH IS NOT LISTED ON EITHER COCOM OR U.S. STRATEGIC TRADE CONTROL LISTS. HOWEVER, WITH 50 PERCENT U.S. OWNERSHIP, JOHNSON SAID YAMATAKE-HONEYWELL HAS BEEN BARRED FROM MAKING SUCH SALES. AS A RESULT, THE BUSINESS HAS BEEN GOING TO WHOLLY-OWNED JAPANESE COMPETITORS.

2. EXAMPLES CITED BY JOHNSON INCLUDE:

A. AIR CONDITIONING CONTROLS FOR A NORTH KOREAN HOSPITAL, VALUED AT \$170,000; APPLICATION NO. PML/RWJ/NK101, CASE NO. B 89134, APPLICATION DENIED.

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B. TEMPERATURE CONTROLS FOR POULTRY BROODER HOUSE,

VALUED AT \$16,000; APPLICATION NO. PML/RWJ/NK102, CASE
NUMBER NOT YET ASSIGNED.

3. BOTH OF FOREGOING CASES INVOLVE EQUIPMENT MANUFACTURED
WHOLLY IN JAPAN (NO U.S. COMPONENTS). TECHNOLOGY LICENSED
FROM U.S. BUT IS NOT CURRENT AND ROYALTY IS NO LONGER BE-
ING PAID.

4. POTENTIAL VOLUME OF BUSINESS IS DIFFICULT TO ESTIMATE,
JOHNSON SAID IN RESPONSE TO EMBOFFS QUESTION, BUT SERIOUS
INQUIRIES HAVE AMOUNTED TO SEVERAL HUNDRED THOUSAND
DOLLARS IN RECENT MONTHS. JOHNSON'S IMPRESSION IS THAT
PRESENT USG POLICY WOULD ALLOW U.S.FIRMS OR AFFILIATES
TO FILL ORDERS FOR COMPARABLE EQUIPMENT IF RECEIVED FROM
MAINLAND CHINA.

5. EMBASSY COMMENT: WASHINGTON AGENCIES MAY HAVE NORTH
KOREAN EMBARGO UNDER REVIEW. WE SEE JAPAN RECORDING SUB-
STANTIAL EXPORTS TO NORTH KOREA (ESTIMATED 200 MILLION
DOLLARS FOR 1974) AND URGE CONSIDERATION OF POSSIBLE U.S.
BALANCE-OF-PAYMENTS BENEFITS FROM ALLOWING U.S. FIRMS
AND AFFILIATES TO COMPETE FOR THIS TRADE.
HODGSON

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